the reserve when once accumulated might be exhausted before parity was firmly established thus discrediting the attempt to introduce the gold standard; and finally (3) the belief that the Home government would be liable to reject such a plan.

When one considers the great advantage of promptly stabilizing exchange at the 16d. par in 1893, these objections do not appear to be conclusive. India's financial burdens were of course heavy; their growth, however, would be checked by the fixing of exchange; her credit was good, her sterling debt being quoted at rates representing interest of only slightly above three per cent. A reserve fund of £15,000,000 under the gold-exchange standard would probably have been sufficient in 1893. To be on the safe side the Indian government should have secured authority to extend the loan to £25,000,000 in case of need. There is no adequate evidence that India could not have stood a temporary increase in her interest burdens of from half to three quarters of a million pounds a year which such a loan would have occasioned. In the year 1893-1894 India's total sterling payments on account of interest and annuities amounted to £8,231,012, the bulk of which was on account of railways, irrigation works, and other productive improvements. The great increase in the demand for rupees in subsequent years would soon of itself have built up a strong gold reserve; and long before the present time seigniorage profits, profits on exchange, and interest on that part of the reserve left in London would have enabled a reduction in the gold-standard debt—if not its entire payment—to a point where it would have ceased to be burdensome. As to the objection that the Home government would have rejected such a proposition if made by the government of India, the obvious reply is that that would have been the responsibility of the Home government. If this was ideally the best plan the government of India should have recommended it, suggesting, if it were thought desirable in the interest of results, the other plan as a second choice.

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Prices, Price Indexes, and Cost of Living in Australia. By G. H. KNIBBS. (Melbourne: Commonwealth Bureau of Census and Statistics. 1912. Pp. 160.)

The report by Mr. Knibbs on prices and cost of living in Australia brings an authoritative statement on this subject by a writer who is already favorably known to American economists.

Mr. Knibbs prefaces his study by a review of the technique of index numbers and concludes by deciding to adopt the method of "aggregate expenditure" in preference to other methods used elsewhere. Index numbers computed on the aggregate expenditure method are ratios "between the total aggregate cost of definite quantities of a number of commodities at a given date and the price of the same quantities of each commodity at some other date selected as a base or standard; each of these ratios is then multiplied by 1000" (page 11). This method assumes, of course, that the total consumption of the commodities included can be estimated from year to year. In addition to the review of the technique of index numbers in the first chapter, a lengthy and badly printed appendix gives a discussion, principally in the form of algebraic formulae, of the problems involved in the various price indexes now being published. For American readers who are familiar with the work of Fisher and Walsh, this part of the report offers little that is new.

The real contribution of the report consists in the information presented as to actual and relative prices in Australia. The price data include retail, wholesale, and import and export prices. The retail prices were obtained from retail dealers whose principal customers were wage-earners, and cover the years 1901 to 1911; rents of workmen's dwellings were secured from "house-agents" for the same period. The wholesale price data are Melbourne prices, from 1871 to 1912, obtained from market quotations in the "ordinary press and in special trade reviews." The import and export prices are averages computed from the Trade and Customs Returns, and cover the period 1901 to 1912.

In general it may be stated that the movement of prices in Australia has shown about the same tendencies as in the rest of the world, though exceptions must be made in some years on account of local influences, such as drought. Of special interest is Mr. Knibbs' computation of a "world's index number," obtained by weighting an index for each of the leading countries by a number representing its population in 1911, the year used as a base. By the use of the world index, the price changes of one country can be readily compared with the fluctuations in the rest of the leading countries. However, since no change in population weight is made for the earlier years, the number is of value for recent years only.

The present volume is stated to be the first of a series of

studies on prices, which the bureau hopes to publish at regular intervals.

HENRY J. HARRIS.

Library of Congress, Washington.

Geld und Kapital. By FRIEDRICH BENDIXEN. (Leipzig: Duncker und Humblot. 1912. Pp. 187. 4.50 m.)

This is a book of twenty brief essays based upon the author's views as developed in his *Das Wesen des Geldes* which was published in 1908. All but four of the essays (nos. 2, 4, 7, and 12) have been previously published, most of them in the "Bank-Archiv." The essays are here grouped into six chapters dealing respectively with the theory of money, the Reichsbank problem, the crisis of 1907 and the bank inquiry, the policy of the Reichsbank, land credit, and the national capital.

The book is dedicated to George Friedrich Knapp, and the author is an adherent of Knapp's *Staatliche Geldtheorie:*

> The stability of the value of gold depends . . . not, as people have heretofore believed, upon its natural properties, nor upon the fact that people measure all value in terms of gold thereby making gold the fixed unit, but simply on the fact that the state, by virtue of legal regulations, purchases gold and disposes of it at a fixed price. Money derives its value therefore not from gold; on the contrary gold derives its value from money, that is from provisions of law relative to monetary matters.
>
> For the conception of a system of value the recognition of this fact signifies a complete revolution. Heretofore people saw all value circling about gold, as about a fixed and unshakable center; now this is recognized as a delusion. In truth value moves about an ideal center (the nominal unit of value), and only in an artificial way has gold been tied to this center. If this artificial connection is discontinued, *i.e.*, if free coinage of gold is given up in gold standard countries, then values will travel peacefully on their road around the nominal value unit (pp. 5 and 6).

According to the author modern books on money are sadly out of date. Their ideas concerning such matters as the rapidity of monetary circulation, the monetary demand, and the monetary supply have long since become inapplicable because of the development of modern means of payment, such as the giro-transfers of the Reichsbank, bank notes, etc. (pp. 10 and 11). Giro-transfers are as truly money as is gold coin, they represent ideal units of value, and are based upon the property whose exchange calls them into being (p. 60). The exchange having been made the